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COMMISSION

Elizabeth O'Donnell  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
Frankfort, KY 40602

**Kentucky Utilities Company**  
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November 14, 2007

**RE: AN EXAMINATION BY THE PUBLIC SERVICE COMMISSION  
OF THE ENVIRONMENTAL SURCHARGE MECHANISM OF  
KENTUCKY UTILITIES COMPANY FOR THE SIX-MONTH  
BILLING PERIOD ENDING OCTOBER 31, 2006 AND FOR THE  
TWO-YEAR BILLING PERIOD ENDING APRIL 30, 2007  
CASE NO. 2007-00379**

Dear Ms. O'Donnell:

Please find enclosed and accept for filing the original and seven (7) copies of the Response of Kentucky Utilities Company to the Second Data Request of Commission Staff dated October 31, 2007, in the above-referenced matter.

Should you have any questions concerning the enclosed, please contact me at your convenience.

Sincerely,

Robert M. Conroy



Enclosures

cc: Parties of Record

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

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COMMISSION

In the Matter of:

AN EXAMINATION BY THE PUBLIC SERVICE )  
COMMISSION OF THE ENVIRONMENTAL )  
SURCHARGE MECHANISM OF KENTUCKY ) CASE NO.  
UTILITIES COMPANY FOR THE SIX-MONTH ) 2007-00379  
BILLING PERIOD ENDING OCTOBER 31, 2006 )  
AND FOR THE TWO-YEAR BILLING PERIOD )  
ENDING APRIL 30, 2007 )

RESPONSE OF  
KENTUCKY UTILITIES COMPANY  
TO  
SECOND DATA REQUEST  
OF COMMISSION STAFF  
DATED OCTOBER 31, 2007

FILED: November 14, 2007







**KENTUCKY UTILITIES COMPANY**

**Response to Second Data Request of Commission Staff  
Dated October 31, 2007**

**Case No. 2007-00379**

**Question No. 1**

**Witness: Robert M. Conroy**

- Q-1. Refer to the response to the September 19, 2007 Order, Appendix B (“First Request”), Item 1(b), page 2 of 4. Using both an adding machine and Excel spreadsheet, Staff cannot duplicate the results shown in columns 7 and 9 on this page. Verify the calculations and provide any clarifications.
- A-1. KU apologizes for the confusion. The calculations in the spreadsheet used three significant digits for the Rate of Return in Columns 4 and 5, and the Jurisdictional Allocation in Column 8, whereas the filed exhibit displayed two. Please see the modified attachment.

Kentucky Utilities  
Overall Rate of Return True-up Adjustment - Revised Rate of Return  
Impact on Calculated E(m) - Post 1994 Plan

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Billing Month	Expense Month	Rate of Return as Filed	Rate of Return as Revised	Change in Rate of Return (4) - (3)	Rate Base as Revised	True-up Adjustment (5) * (6) / 12	Jurisdictional Allocation, ES Form 1.00	Jurisdictional True up Adjustment (7) * (8)
May-06	Mar-06	11.000%	11.832%	0.832%	\$ 243,003,837	168,483	82.992%	139,827
Jun-06	Apr-06	11.000%	11.832%	0.832%	261,398,788	181,236	82.280%	149,121
Jul-06	May-06	11.000%	11.832%	0.832%	270,306,146	187,412	78.034%	146,245
Aug-06	Jun-06	11.000%	11.832%	0.832%	281,941,228	195,479	80.806%	157,959
Sep-06	Jul-06	11.000%	11.832%	0.832%	304,251,842	210,948	79.678%	168,079
Oct-06	Aug-06	11.000%	11.832%	0.832%	311,057,801	215,667	82.842%	178,663
						1,159,225		939,895
Nov-06	Sep-06	11.000%	11.377%	0.377%	\$ 328,882,956	103,324	81.658%	84,372
Dec-06	Oct-06	11.000%	11.377%	0.377%	344,875,587	108,348	83.681%	90,667
Jan-07	Nov-06	11.000%	11.377%	0.377%	363,914,461	114,330	73.335%	83,844
Feb-07	Dec-06	11.000%	11.377%	0.377%	397,680,410	124,938	82.277%	102,795
Mar-07	Jan-07	11.520%	11.377%	-0.143%	420,800,200	(50,145)	78.849%	(39,539)
Apr-07	Feb-07	11.520%	11.377%	-0.143%	447,724,759	(53,354)	82.388%	(43,957)
						347,441		278,182
Cumulative Impact of Changes in Rate of Return						\$ 1,506,666		\$ 1,218,077



**KENTUCKY UTILITIES COMPANY**

**Response to Second Data Request of Commission Staff  
Dated October 31, 2007**

**Case No. 2007-00379**

**Question No. 2**

**Witness: Robert M. Conroy**

Q-2. Refer to the response to the First Request, Item 3. KU has determined it experienced a cumulative net under-recovery of the environmental surcharge of \$1,699,755. Provide a breakdown of the cumulative amount showing the components which make up the net under-recovery. Include a calculation of each component or references in the record showing the calculation of each component.

A-2. Please see the attachment.

## Kentucky Utilities Company Breakdown of Over/(Under) Calculation

Cumulative Impact of Revised Rate of Return	\$	(1,218,077)	a
Cumulative Impact of Change in Rate Base		56,742	b
Cash Working Capital Adj.		547	c
Revenue Over/(Under) Collection due to timing		(538,967)	d
<b>Total Over/(Under) Collection</b>	<b>\$</b>	<b>(1,699,755)</b>	

a) Attachment to Response to Question 1(b) page 2 of 4, column 9  
KPSC First Data Request Case No. 2007-00379

b) Attachment to Response to Question 1(b) page 1 of 4, column 9  
KPSC First Data Request Case No. 2007-00379

Less impact of c) below		57,289	
	\$	(547)	
	\$	56,742	

c) Attachment to Response to Question No. 8

KPSC First Data Request Case No. 2007-00379		\$ 23,691.25	
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Divided by 12 to calculate - Monthly Rate Base		\$ 1,974.27	
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Attachment to Response to Question 1(b) page 2 of 4, column 4

Revised Rate of Return		11.377%	
	\$	224.61	

Jurisdictional Allocations

December 2006	82.277%		\$	185
January 2007	78.849%		\$	177
February 2007	82.388%		\$	185
			\$	547



**KENTUCKY UTILITIES COMPANY**

**Response to Second Data Request of Commission Staff  
Dated October 31, 2007**

**Case No. 2007-00379**

**Question No. 3**

**Witness: Valerie L. Scott**

- Q-3. Refer to the response to the First Request, Item 12. Using a format similar to that shown in the response to Item 1(b), page 4 of 4, provide the calculations used to determine KU's jurisdictional capitalization as of February 28, 2007.
- A-3. Please see the attachment.

Kentucky Utilities Company  
Adjusted Electric Rate of Return on Common Equity  
2/28/2007

(1)	(2) Total Company	(3) Adjustments to Total Co Capitalization (20)	(4) Adjusted Total Company Capitalization (2) - (3)	(5) Capital Structure (4) / (4) row 7	(6) Jurisdictional Capitalization Allocation	(7) Kentucky Jurisdictional Capitalization (4) * (6)
1 Long-Term Debt	841,951,140	8,840,821	833,110,319	39.41%	88.20%	734,778,308
2 Med Term Notes Payable	-	-	-	0.00%	88.20%	-
3 Short-Term Debt	89,666,054	941,529	88,724,525	4.20%	88.20%	78,252,369
4 Preferred Stock	-	-	-	0.00%	88.20%	-
5 Accounts Receivable Financing	-	-	-	0.00%	88.20%	-
6 Common Equity	1,225,830,949	33,803,832	1,192,027,117	56.39%	88.20%	1,051,332,156
	2,157,448,143	43,586,182	2,113,861,961	100.00%		1,864,362,833

(1)	(8) Kentucky Jurisdictional Capitalization (7)	(9) Adjustments to Ky Juris Capitalization (25)	(10) Adjusted Ky Jurisdictional Capitalization (8) - (9)	(11) Capital Structure (10) / (10) row 7	(12) Annual Cost Rate	(13) Weighted Cost of Capital (11) * (12)
1 Long-Term Debt	734,778,308	149,383,718	585,394,590	39.41%	4.69%	1.85%
2 Med Term Notes Payable	-	-	-	0.00%	0.00%	0.00%
3 Short-Term Debt	78,252,369	15,909,055	62,343,314	4.20%	5.26%	0.22%
4 Preferred Stock	-	-	-	0.00%	0.00%	0.00%
5 Accounts Receivable Financing	-	-	-	0.00%	0.00%	0.00%
6 Common Equity	1,051,332,156	213,740,530	837,591,626	56.39%	10.50%	5.92%
7	1,864,362,833	379,033,303	1,485,329,530	100.00%		7.99%
8 Weighted Cost of Capital Grossed up for Income Tax Effect (ROR + (ROR - DR) x [TR / (1 - TR)])						11.42%

Adjustments to Total Company Capitalization

(1)	(14) Total Company Capitalization (2)	(15) Capital Structure (14) / (14) row 7	(16) Undistributed Subsidiary Earnings	(17) Investments in EEI (17) row 7 x (15)	(18) Other Investments (18) row 7 x (15)	(19) Minimum Pension Liability	(20) Total Adjustments to Capitalization (16) + (17) + (18) - (19)
1 Long-Term Debt	841,951,140	39.03%	-	8,674,518	166,303	-	8,840,821
2 Med Term Notes Payable	-	0.00%	-	-	-	-	-
3 Short-Term Debt	89,666,054	4.16%	-	923,818	17,711	-	941,529
4 Preferred Stock	-	0.00%	-	-	-	-	-
5 Accounts Receivable Financing	-	0.00%	-	-	-	-	-
6 Common Equity	1,225,830,949	56.82%	20,932,121	12,629,584	242,127	-	33,803,832
7	2,157,448,143	100.00%	20,932,121	22,227,920	426,141	-	43,586,182

Adjustments to Kentucky Jurisdictional Capitalization

(1)	(21) Kentucky Jurisdictional Capitalization (8)	(22) Capital Structure (21) / (21) row 7	(23) Environmental Surcharge 1994 Plan (23) row 7 x (22)	(24) Environmental Surcharge Post-1994 Plan (24) row 7 x (22)	(25) Adjustments to Ky Juris Capitalization (23) + (24)
1 Long-Term Debt	734,778,308	39.41%	-	149,383,718	149,383,718
2 Med Term Notes Payable	-	0.00%	-	-	-
3 Short-Term Debt	78,252,369	4.20%	-	15,909,055	15,909,055
4 Preferred Stock	-	0.00%	-	-	-
5 Accounts Receivable Financing	-	0.00%	-	-	-
6 Common Equity	1,051,332,156	56.39%	-	213,740,530	213,740,530
7	1,864,362,833	100.00%	-	379,033,303	379,033,303